

CITY OF MONTEZUMA, IOWA

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2015

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City of Montezuma, Iowa
City Officials
Year Ended June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James M. Hicks	Mayor	January, 2016
Frank R. Brownell, III	Mayor Pro Tem	January, 2016
Ronald Willrich	Council Member	January, 2018
Curtis Bolen	Council Member	January, 2018
Aaron Mc Caslen	Council Member	January, 2016
Corey Simpson	Council Member	January, 2016
Christy Mc Caslen	Clerk/Treasurer	Indefinite
Gilbert R. Caldwell III	Attorney	Indefinite



705 Main Street
Pella, IA 50219
Ph.: 641-628-3737
Fax: 641-628-3757

www.vanmaanencpa.com

Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of Montezuma
Montezuma, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Montezuma, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Montezuma as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As described in Note 4 to the financial statements, the City of Montezuma adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montezuma's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ending June 30, 2014 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5-10 and 30-33, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the City of Montezuma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Montezuma's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

September 30, 2015

The City of Montezuma provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 18.0%, or approximately \$220,000, from fiscal 2014 to 2015. The increase is due largely to funds received for the Facade capital project..
- Disbursements of the City's governmental activities decreased 37.5%, or approximately \$805,000 from fiscal 2014 to fiscal 2015. Debt service expenditures were down \$587,000 due to a crossover refunding payment that occurred last year.
- The City's total cash basis net position increased 1.9%, or approximately \$82,000 from June 30, 2014 to June 30, 2015. The current year governmental activities increased \$119,000 and the net position of the business type activities decreased \$37,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about indebtedness, bond and note maturities, changes in fiduciary assets and liabilities and a comparative schedule of receipts and disbursements.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general governmental, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business type activities include the water works, the sanitary sewer system, recycling, and gas systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax Fund, 3) the Debt Service Fund, 4) and the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, recycling, and gas funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from approximately \$2.504 million to approximately \$2.623 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 105	108
Operating grants, contributions and restricted interest	199	182
Capital grants, contributions and restricted interest	209	75
General receipts:		
Property tax	640	608
Local Option Sales Tax	163	140
Grants and contributions not restricted to specific purposes	-	-
Payment in lieu of taxes	32	56
Unrestricted interest earnings	1	3
Miscellaneous	78	55
Sale of Assets	20	-
Total receipts	1,447	1,227
Disbursements:		
Public safety	314	436
Public works	274	249
Culture and recreation	132	128
Community and economic development	73	54
General government	150	152
Debt service	271	858
Capital projects	126	268
Total disbursements	1,340	2,145
Change in cash basis net position before transfers	107	(918)
Transfers, net	12	89
Change in cash basis net position	119	(829)
Cash basis net position beginning of year	2,504	3,333
Cash basis net position end of year	\$ 2,623	2,504

The City's total receipts and transfers for governmental activities increased by 10.9%, or approximately \$143,000. The increase in receipts is mainly due to funds received for the Facade capital project. The total cost of all programs and services decreased by approximately \$805,000 or 37.5%. The decrease in programs and services was primarily due to a debt service expenditure for a crossover refunding payment that occurred last year.

The cost of all governmental activities this year was \$1.340 million compared to \$2.145 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on page 12, the amount taxpayers ultimately financed for these activities was only \$0.828 million because some of the cost was paid by those directly benefiting from the programs (approximately \$105,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately

City of Montezuma, Iowa
Management's Discussion and Analysis
June 30, 2015

\$408,000). Overall, the City's governmental activities program receipts increased in 2015 from approximately \$364,000 to approximately \$513,000. The City paid for the remaining "public benefit" portion of governmental activities (\$947,000) with taxes (some of which could only be used for certain programs) and other receipts, such as interest, and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 682	694
Sewer	189	119
Recycling	64	64
Gas	1,084	1,475
General receipts:		
Unrestricted interest earnings	1	1
Other general receipts	-	-
Loan proceeds	-	-
Total receipts	2,020	2,353
Disbursements:		
Water	962	647
Sewer	128	342
Recycling	62	62
Gas	893	1,508
Total disbursements	2,045	2,559
Change in cash basis net assets before transfers	(25)	(206)
Transfers, net	(12)	(89)
Change in cash basis net position	(37)	(295)
Cash basis net position beginning of year	1,893	2,188
Cash basis net position end of year	\$ 1,856	1,893

Total business type activities receipts for the fiscal year were approximately \$2.020 million compared to \$2.353 million last year. Gas revenues were lower due to a mild winter. Total disbursements and transfers for the fiscal year decreased 22.3% to a total of \$2.057 million compared to \$2.648 million last year. The decrease was mainly in natural gas prices, a more mild winter and a truck purchased in the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Montezuma completed the year, its governmental funds reported a combined fund balance of \$2,622,733, an increase of \$119,221 from last year's total of \$2,503,512.

- The General Fund cash balance decreased \$234,142 from the prior year to \$1,403,176.
- The Debt Service Fund cash balance increased \$35,872 from the prior year to \$5,021.
- The Capital Projects Fund cash balance increased \$142,186 from the prior year to \$98,424.

City of Montezuma, Iowa
Management's Discussion and Analysis
June 30, 2015

- The Special Revenue, Local Option Sales Tax Fund increased \$96,477 from the prior year to \$626,374. The Local Option Sales Tax Fund expended \$65,000 to help support Montezuma Development.
- The Special Revenue, Road Use Fund increased \$82,328 from the prior year to \$489,738.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$278,537 to \$532,172. There were \$318,732 in water capital projects paid in the fiscal year.
- The Sewer Fund cash balance increased by \$87,262 to \$280,776. The sewer rates increased last fiscal year.
- The Recycling Fund cash balance decreased by \$36,580 to \$29,361. There was \$38,745 transferred out to Capital projects this fiscal year.
- The Gas Fund cash balance increased by \$190,859 to \$1,013,361.

BUDGETARY HIGHLIGHTS

The City's budget was amended during the year to add \$400,00 to the capital projects disbursements.

The City's receipts were \$200,954 more than budgeted, primarily in private contributions, related to monies coming in from business owners for the Facade project.

The City's disbursements were \$810,795 less than budgeted, expenditures were under budget primarily in the business type activity function. Expenditures exceeded the budget for fiscal year 2015 in the public safety, community and economic development, and debt service functions. The higher costs in debt service were primarily due to a crossover refunding payment.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$2,643,000 in bonds and other long-term debt, compared to approximately \$2,974,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30, 2015	June 30, 2014
General obligation bonds	\$ 900	1,155
Water Revenue-SRF Loan	1,743	1,819
Total	\$ 2,643	2,974

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$900,000 is below its total calculated constitutional debt limit of approximately \$3.5 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Montezuma's elected and appointed officials and citizens considered various factors when preparing the tax rates, fees, and fiscal year 2016 budget.

Indicators taken into account include increased tax revenues and augmented capital project costs. Property tax revenues will increase by 7%, and all revenues are expected to increase by 5%. These additional receipts will be used to support the City's regular programs and also provide funding for two major capital projects - downtown facade revitalization and sewer rehabilitation project. Disbursements are budgeted to rise approximately \$760,000, representing an increase of 10%.

COMPONENT UNIT

The separately issued financial statements for the Montezuma Municipal Light and Power Plant, listed as a component unit on these financial statements, is also available by contacting Christy Mc Caslen, City Clerk, at the address listed below.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christy Mc Caslen, City Clerk, 501 East Main St., Box 314, Montezuma, Iowa 50171.

Basic Financial Statements

City of Montezuma, Iowa
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2015

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets							
Program Receipts					Primary Government		Component Unit
Capital Grants, Contributions and Restricted Interest					Governmental Activities	Business Type Activities	Total
Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Restricted Interest				
Functions/Programs:							
Primary government:							
Governmental activities:							
Public safety	\$ 313,641	100,029	25,442	52,196	(135,974)	-	(135,974)
Public works	274,369	-	152,022	-	(122,347)	-	(122,347)
Culture and recreation	131,648	358	21,308	106	(109,876)	-	(109,876)
Community and economic development	72,924	-	-	156,552	83,628	-	83,628
General government	150,169	4,761	-	-	(145,408)	-	(145,408)
Debt service	270,965	-	-	-	(270,965)	-	(270,965)
Capital Projects	126,592	-	-	1	(126,591)	-	(126,591)
Total governmental activities	1,340,308	105,148	198,772	208,855	(827,533)	-	(827,533)
Business type activities:							
Water	961,645	682,694	-	-	-	(278,951)	(278,951)
Sewer	128,453	189,188	-	-	-	60,735	60,735
Recycling	61,545	63,703	-	-	-	2,158	2,158
Gas	893,364	1,083,865	-	-	-	190,501	190,501
Total business type activities	2,045,007	2,019,450	-	-	-	(25,557)	(25,557)
Total primary government	\$ 3,385,315	2,124,598	198,772	208,855	(827,533)	(25,557)	(853,090)
Component Unit:							
Municipal Light and Power Plant	\$ 2,745,065	3,368,590	-	-	-	-	623,525
	\$ 2,745,065	3,368,590	-	-	-	-	623,525
General Receipts:							
Property tax and other city tax levied for:							
General purposes					\$ 363,729	-	363,729
Debt service					276,783	-	276,783
Local option sales tax					162,974	-	162,974
Payment in lieu of taxes					31,705	-	31,705
Unrestricted interest on investments					1,596	808	2,404
Miscellaneous					77,720	-	77,720
Sale of Capital Assets					20,000	-	20,000
Transfers					12,247	(12,247)	-
Total general receipts and transfers					946,754	(11,439)	935,315
Change in cash basis net position					119,221	(36,996)	82,225
Cash basis net position beginning of year					2,503,512	1,892,666	4,396,178
Cash basis net position end of year					\$ 2,622,733	1,855,670	4,478,403
Cash Basis Net Position							
Restricted:							
Expendable:							
Public Streets					\$ 489,738	-	489,738
Debt service/improvements					5,021	161,422	166,443
Memorials/Designated Contributions					36,140	-	36,140
Other purposes					724,798	-	724,798
Unrestricted					1,367,036	1,694,248	3,061,284
Total cash basis net position					\$ 2,622,733	1,855,670	4,478,403

See notes to financial statements.

City of Montezuma, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2015

	General	Debt Service	Capital Projects	Special Revenue		Non-major-Perm Fund	Total
				Local Option Sales Tax	Road Use		
Receipts:							
Property tax	\$ 363,729	276,783	-	-	-		640,512
Other city tax	-	-	-	162,974	-		162,974
Licenses and permits	2,384	-	-	-	-		2,384
Use of money and property	3,876	54	1	43	-		3,974
Intergovernmental	65,187	-	8,229	-	152,022		225,438
Charges for service	100,190	-	-	-	-		100,190
Private contributions	77,371	-	104,817	-	-		182,188
Miscellaneous	129,622	-	-	-	-		129,622
Total receipts	742,359	276,837	113,047	163,017	152,022	-	1,447,282
Disbursements:							
Operating:							
Public safety	313,641	-	-	-	-		313,641
Public works	203,135	-	-	1,540	69,694		274,369
Culture and recreation	131,648	-	-	-	-		131,648
Community & Economic Development	7,924	-	-	65,000	-		72,924
General government	150,169	-	-	-	-		150,169
Debt service	-	270,965	-	-	-		270,965
Capital projects	-	-	126,592	-	-		126,592
Total disbursements	806,517	270,965	126,592	66,540	69,694	-	1,340,308
Excess (deficiency) of receipts over (under) disbursements	(64,158)	5,872	(13,545)	96,477	82,328	-	106,974
Other financing sources (uses):							
Transfers In	3,500	30,000	155,731	-	-		189,231
Transfers Out	(173,484)	-	-	-	-	(3,500)	(176,984)
Total other financing sources	(169,984)	30,000	155,731	-	-	(3,500)	12,247
Change in cash balances	(234,142)	35,872	142,186	96,477	82,328	(3,500)	119,221
Cash balances beginning of year	1,637,318	(30,851)	(43,762)	529,897	407,410	3,500	2,503,512
Cash balances end of year	\$ 1,403,176	5,021	98,424	626,374	489,738	-	2,622,733
Cash Basis Fund Balances							
Restricted for:							
Debt service	\$ -	5,021	-	-	-		5,021
Public Streets	-	-	-	-	489,738		489,738
Klindt memorial	1,654	-	-	-	-		1,654
Fire Department memorial	26,449	-	-	-	-		26,449
Library	8,037	-	-	-	-		8,037
Other purposes	-	-	98,424	626,374	-		724,798
Unassigned	1,367,036	-	-	-	-		1,367,036
Total cash basis fund balances	\$ 1,403,176	5,021	98,424	626,374	489,738	-	2,622,733

See notes to financial statements.

Exhibit C

City of Montezuma, Iowa

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position

Governmental Funds

As of and for the year ended June 30, 2015

Total governmental funds cash balances (Exhibit A)	\$ 2,622,733
Cash basis net position of governmental activities (Exhibit B)	\$ 2,622,733
Change in cash balances (Exhibit B)	\$ 119,221
Change in cash basis net position of governmental activities (Exhibit A)	\$ 119,221

See notes to financial statements.

Exhibit D

City of Montezuma, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2015

	Enterprise Funds				Total
	Water	Sewer	Recycling	Gas	
Operating receipts:					
Charges for service	\$ 682,694	189,188	63,703	1,083,865	2,019,450
Miscellaneous	-	-	-	-	-
Total operating receipts	682,694	189,188	63,703	1,083,865	2,019,450
Operating disbursements:					
Business type activities	507,796	128,453	61,545	893,364	1,591,158
Total operating disbursements	507,796	128,453	61,545	893,364	1,591,158
Excess (deficiency) of operating receipts over (under) operating disbursements	174,898	60,735	2,158	190,501	428,292
Non-operating receipts (disbursements):					
Interest on investments	414	29	7	358	808
SRF Loan Proceeds	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Debt Service	(135,117)	-	-	-	(135,117)
Capital projects	(318,732)	-	-	-	(318,732)
Net non-operating receipts (disbursements)	(453,435)	29	7	358	(453,041)
Excess (deficiency) of receipts over (under) disbursements	(278,537)	60,764	2,165	190,859	(24,749)
Transfers in	-	90,000	-	-	90,000
Transfers (out)	-	(63,502)	(38,745)	-	(102,247)
Change in cash balances	(278,537)	87,262	(36,580)	190,859	(36,996)
Cash balances beginning of year	810,709	193,514	65,941	822,502	1,892,666
Cash balances end of year	\$ 532,172	280,776	29,361	1,013,361	1,855,670
Cash Basis Fund Balances					
Restricted for debt service	\$ 161,422	-	-	-	161,422
Unrestricted	370,750	280,776	29,361	1,013,361	1,694,248
Total cash basis fund balances	\$ 532,172	280,776	29,361	1,013,361	1,855,670

See notes to financial statements.

Exhibit E

City of Montezuma, Iowa

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -

Proprietary Funds

As of and for the year ended June 30, 2015

Total enterprise funds cash balances (Exhibit D)	\$ 1,855,670
Cash basis net position of business type activities (Exhibit A)	<u>\$ 1,855,670</u>
Net change in cash balances (Exhibit D)	<u>\$ (36,996)</u>
Change in cash balance of business type activities (Exhibit A)	<u>\$ (36,996)</u>

See notes to financial statements.

Exhibit F

City of Montezuma, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Component Unit
As of and for the year ended June 30, 2015

	<u>Municipal Light and Power Plant</u>
Operating receipts:	
Charges for service	\$ 3,368,590
Total operating receipts	<u>3,368,590</u>
Operating disbursements:	
Business type activities	<u>2,328,133</u>
Total operating disbursements	<u>2,328,133</u>
Excess of operating receipts over operating disbursements	1,040,457
Non-operating receipts (disbursements):	
Rental income	18,842
Interest on investments	4,264
Miscellaneous	2,565
Miscellaneous expense	(2,714)
Debt service	<u>(414,218)</u>
Total non-operating disbursements	<u>(391,261)</u>
Excess of receipts over disbursements	<u>649,196</u>
Change in cash balances	649,196
Cash balances beginning of year	<u>3,036,526</u>
Cash balances end of year	<u><u>\$ 3,685,722</u></u>
Cash Basis Fund Balances	
Reserved for debt service/improvements	\$ 661,069
CMMPA required deposit	199,000
Unreserved	<u>2,825,653</u>
Total cash basis fund balances	<u><u>\$ 3,685,722</u></u>

See notes to financial statements.

Exhibit G

City of Montezuma, Iowa
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2015

	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 13,320</u>
Total assets	<u>13,320</u>
Liabilities	
Accounts payable	<u>13,320</u>
Total liabilities	<u>13,320</u>
Net assets	<u><u>\$ -</u></u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

The City of Montezuma is a political subdivision of the State of Iowa located in Poweshiek County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, recycling and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Montezuma has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Montezuma (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit

The Montezuma Municipal Light and Power Plant is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utility is governed by a five member board appointed by the City Council and the Utility's operating budget is subject to the approval of the City Council.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Poweshiek County Assessor's Conference Board and Poweshiek County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's non-fiduciary net position. Net position is reported in the following categories/components:

Non-expendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Special Revenue:

The Local Option Sales Tax Fund is used to account for local option sales tax collections and expenditures as specified in the election to collect those taxes.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

The Enterprise, Recycling Fund accounts for the operation and maintenance of the City's recycling program.

C. Measurement Focus and Basis of Accounting

The City of Montezuma maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financials statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceed the amounts budgeted in the public safety, community and economic development, and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Included in the June 30, 2015 general fund cash is \$35,610 in library donations and earnings held in trust by the Great Poweshiek Community Foundation. The \$35,610 is available for use by the library whenever requested by the library board.

At June 30, 2015 the City had the following investments:

Type	Carrying Amount	Fair Value
Certificate of deposit	\$ 45,000	45,000
Certificate of deposit	20,000	20,000
Certificate of deposit	39,740	39,740
Certificate of deposit	26,104	26,104
Certificate of deposit	35,040	35,040
Total	<u>\$ 165,884</u>	<u>165,884</u>

In addition, the City had investments in the Iowa Public Agency Trust which are valued at an amortized cost of \$2,177,636 pursuant to Rule 2 a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Trust is unrated.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and water revenue bonds are as follows:

Year ending June 30,	General		Revenue Bonds		Total	
	Obligation Note 2013		Water			
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 260,000	12,915	78,000	52,290	338,000	65,205
2017	260,000	10,315	81,000	49,950	341,000	60,265
2018	60,000	7,325	84,000	47,520	144,000	54,845
2019	60,000	6,425	86,000	45,000	146,000	51,425
2020	65,000	5,525	89,000	42,420	154,000	47,945
2021	65,000	4,225	92,000	39,750	157,000	43,975
2022	65,000	2,925	95,000	36,990	160,000	39,915
2023	65,000	1,463	98,000	34,140	163,000	35,603
2024	-	-	101,000	31,200	101,000	31,200
2025	-	-	105,000	28,170	105,000	28,170
2026	-	-	108,000	25,020	108,000	25,020
2027	-	-	111,000	21,780	111,000	21,780
2028	-	-	115,000	18,450	115,000	18,450
2029	-	-	119,000	15,000	119,000	15,000
2030	-	-	123,000	11,430	123,000	11,430
2031	-	-	127,000	7,740	127,000	7,740
2032	-	-	131,000	3,930	131,000	3,930
Total	\$ 900,000	51,118	1,743,000	510,780	2,643,000	561,898

A. General Obligation Bonds

The City of Montezuma issued \$1,215,000 in general obligation bonds October 30, 2013. Of the total general obligation bonds issued, \$595,000 was for the purpose of advance refunding, which includes \$575,000 of principle plus some of the interest on the September 2007 general obligation bond debt Crossover refunding and \$620,000 was for the purpose of funding the South Diamond Subdivision Capital Project. The total principal and interest payments remaining on the general obligation bond issue is \$951,118 payable through 2023.

B. Revenue Notes

The City of Montezuma entered into a Water Revenue loan and Disbursement agreement with the State Revolving Fund. The City has pledged future water customer receipts, net of specified operating disbursements to repay this loan. The April 1, 2011 loan is being received by the City as funds are expended with a maximum loan of \$2,125,000 available. As of June 30, 2013, \$1,963,734 had been extended and the loan was finalized. The interest rate over the loan's life is 3%. The bonds mature June 1, 2032. Interest payments are payable semiannually on June 1 and December 1 of each year, commencing June 1, 2011. The principal is due and payable annually commencing June 1, 2013, and annually thereafter.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts with the Enterprise funds for the purpose of making the note principal and interest payments when due.
- (c) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in a water revenue surplus account within the Enterprise Funds. This account is to be used to transfer money to the sinking fund whenever necessary to prevent or remedy a default in the payment of principal or interest. As long as the sinking fund has the full amounts required any balance in the surplus fund is available to be used as needed for the operation of the utility.

Total interest and fees charged to expense during the fiscal year was \$70,035 and \$5,047 respectively. None was associated with product financing arrangements or capitalized enterprise fund assets.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and

the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$36,457.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$258,451. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.006386 percent, which was a decrease of 0.000692 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$24,537, \$18,877 and \$98,566 respectively. None of these items are reflected in cash basis financial statements.

Actuarial Assumptions – The total pension liability in June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionated share of the net pension liability	\$ 488,336	\$ 258,451	\$ 64,404

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on the IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description – There are three medical/prescription drug plans which provide benefits for employees, retirees and their spouses. There are seven active employees in the City's plan, three active employees in the Water department's plan and three active employees in the Electric Utility's plan at year end. There were no early retirees in any of the plans. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

The City pays 100% of the health costs for each employee, spouse and dependents. It also pays 100% of the employees dental; however, the employee must pay \$25.05 for a spouse and \$17.78 for each child. The Electric Utility pays 100% of all health and dental costs for the employee and families.

The same monthly premiums apply to retirees, which they are required to pay in full. For the year ended June 30, 2015, the City contributed \$117,368 for medical and dental insurance. The Water Department contributed \$40,325 and plan members eligible for benefits contributed \$0 to the plan. The Electric Utility contributed \$49,344 and plan members contributed \$0 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2015 is \$13,147. This liability has been computed based on rates in effect at June 30, 2015.

(7) Interfund Transfers

The following are interfund transfers during the year ended June 30, 2015:

Transfer to:	Transfer from:	Amount
General	Permanent Fund	\$ 3,500
Debt Service	General	30,000
S.S. Capital Project	Recycling	38,745
Facade Capital Project	General	2,533
Sewer Capital Project	Sewer	63,502
Sewer Capital Project	General	50,951
Sewer	General	90,000

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Transactions Between the City and the Component Unit

The following are significant transactions between the City of Montezuma and the Montezuma Light and Power Plant:

Transaction Description	From City to Municipal Utility	From Municipal Utility to City
Water Dept. Electric Use	\$ (26,699)	-
Water Dept. Billing/Meter Reading	(12,005)	-
Water Dept bills paid by Electric	(5,373)	-
Gas Dept. Electric Use	(1,561)	-
Gas Dept. Billing/Meter Reading	(11,951)	-
Gas Dept. bills paid by Electric	(5,647)	-
General City Electric Use	(54,983)	-
Sewer/Recycling Billing	(2,100)	-
City bills paid by Electric	(5,687)	-
Computer Maintenance	(5,141)	-
Power Plants - Taxes in lieu	-	31,705
Totals	\$ (131,147)	31,705

The Municipal Utility's personnel do the meter reading and billing for the electric, water and gas departments. The City then reimburses the Municipal Utility for their share of those costs.

(9) Related Party Transactions

The City had business transactions between the City and City officials, employees and associates totaling \$40,734 during the year ended June 30, 2015.

(10) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims,

claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's (including the water and gas departments) contributions to the Pool for the year ended June 30, 2015 were \$38,130.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's fund and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from IMWCA for coverage associated with workers compensation in the amount of \$1,000,000 per claim. Excess coverage is provided through reinsurance with no cap per section 85 of the Iowa Code. The City assumed liability for any deductibles and claims in excess of coverage limitations. The City (including the water and gas departments) paid \$15,795 for the year ended June 30, 2015 for this insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Commitments and Contingencies

The City has entered into several contracts totaling \$1,163,909. At June 30, 2015, \$185,957 has been paid towards these contracts. The remaining amounts will be paid as work on the projects progresses.

Contracts	Contract Amount	Amount Paid	% Complete
Façade Design			
RDG	\$ 81,400	66,268	81%
Grant Management Façade			
Region 6	24,000	13,968	58%
Grant Management Sewer			
Region 6	8,000	1,261	16%
Sewer Engineering Services			
MMS	119,850	73,790	62%
Facade Construction			
Garling Construction	930,659	30,670	3%

On December 6, 2006, the City of Montezuma Light & Power plant entered into a prorata investment in the Central Minnesota Municipal Power Agency's CAPX2020 Investment. The component unit has a contingent liability for \$238,617, or 0.88% of a \$27,115,533 investment by CMMPA. As of June 30, 2015, none of this had been paid. To date revenues have covered the costs on this investment so CMMPA has not required the funds, but Montezuma Light & Power plant remains committed to this payment if needed.

(12) Subsequent Events

The council approved resolution 15-08-02 on August 17, 2015 to provide for the issuance of \$400,000 in sewer revenue bonds. On September 4, 2015 the City closed on \$400,000 in SRF Sewer Revenue Bonds, Series 2015. The sewer project is estimated to cost at least \$1,023,000 with the balance of the project to be paid or reimbursed from other sources. The SRF funds will be drawn down as needed. The advances will bear interest of 1.75% from the date of each advancement. The bonds mature on June 1, 2036, interest is payable semi-annually on June 1 and December 1 of each year. Principal payments are scheduled to begin June 1, 2017, with principal payments varying from \$16,000 to \$24,000 per year.

Other Information

City of Montezuma, Iowa
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances
Budgetary and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Other Information
Year ended June 30, 2015

	Budgeted Amounts					
	Governmental Funds Actual	Proprietary Funds Actual	Net	Original	Final	Final to Net Variance
Receipts:						
Property tax	\$ 640,512	-	640,512	629,345	629,345	11,167
Tax increment financing collections	-	-	-	-	-	-
Other city tax	162,974	-	162,974	130,751	130,751	32,223
Licenses and permits	2,384	-	2,384	2,625	2,625	(241)
Use of money and property	3,974	23,914	27,888	3,195	3,195	24,693
Intergovernmental	225,438	-	225,438	160,407	250,000	(24,562)
Charges for services	100,190	5,388,040	5,488,230	5,444,931	5,444,931	43,299
Private contributions	182,188	-	182,188	-	-	182,188
Miscellaneous	129,622	2,565	132,187	111,100	200,000	(67,813)
Total receipts	1,447,282	5,414,519	6,861,801	6,482,354	6,660,847	200,954
Disbursements:						
Public safety	313,641	-	313,641	218,865	218,865	(94,776)
Public works	274,369	-	274,369	365,635	365,635	91,266
Health & Social Services	-	-	-	-	-	-
Culture and Recreation	131,648	-	131,648	151,417	151,417	19,769
Community & economic development	72,924	-	72,924	20,000	20,000	(52,924)
General government	150,169	-	150,169	231,220	231,220	81,051
Debt service	270,965	-	270,965	270,465	270,465	(500)
Capital projects	126,592	-	126,592	-	400,000	273,408
Business type activities	-	4,790,072	4,790,072	5,283,573	5,283,573	493,501
Total disbursements	1,340,308	4,790,072	6,130,380	6,541,175	6,941,175	810,795
Excess (deficiency) of receipts over (under) disbursements	106,974	624,447	731,421	(58,821)	(280,328)	1,011,749
Other financing sources, net	12,247	(12,247)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	119,221	612,200	731,421	(58,821)	(280,328)	1,011,749
Balances beginning of year	2,503,512	4,929,192	7,432,704	8,160,734	7,432,704	-
Balances end of year	\$ 2,622,733	5,541,392	8,164,125	8,101,913	7,152,376	1,011,749

See accompanying independent auditor's report.

City of Montezuma, Iowa
Notes to Other Information - Budgetary Reporting
June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased disbursements by \$400,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, community and economic development, and debt service functions

City of Montezuma, Iowa
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
Last Fiscal Year* (In Thousands)
Other Information

	2015
City's proportion of the net pension liability	0.006386%
City's proportion of the net pension pension liability	\$ 258
City's covered-employee payroll	\$ 441
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.50%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Montezuma, Iowa
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years (In Thousands)
Other Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 36	38	40	35	28	25	23	21	19	18
Contributions in relation to the statutorily required contribution	(36)	(38)	(40)	(35)	(28)	(25)	(23)	(21)	(19)	(18)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 418	441	466	448	410	378	369	357	341	317
Contributions as a percentage of covered-employee payroll	8.61%	8.62%	8.58%	7.81%	6.83%	6.61%	6.23%	5.88%	5.57%	5.68%

See accompanying independent auditor's report.

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

Schedule 1

City of Montezuma, Iowa
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest & Fees Paid	Interest Due and Unpaid
General obligation bonds:									
Housing project & refunding	10/30/2012	1-2.25%	\$1,215,000	\$ 1,155,000	-	255,000	900,000	15,965	1,076
				<u>\$ 1,155,000</u>	<u>-</u>	<u>255,000</u>	<u>900,000</u>	<u>15,965</u>	<u>1,076</u>
Water Revenue Notes:									
SRF-Series 2011	4/1/2011	3.00%	\$1,963,734	\$ 1,819,000	-	76,000	1,743,000	59,117	4,358
				<u>\$ 1,819,000</u>	<u>-</u>	<u>76,000</u>	<u>1,743,000</u>	<u>59,117</u>	<u>4,358</u>

Schedule 2

City of Montezuma, Iowa
Bond and Note Maturities
Year ended June 30, 2015

Year Ending June 30,	General Obligation bonds		SRF	
	Housing Project & Refunding		Water Revenue Bonds	
	Issued 10-30-2012		Issued 4-1-2011	
	Interest Rates	Amount	Interest Rates	Amount
2016	1.00%	260,000	3.00%	78,000
2017	1.15%	260,000	3.00%	81,000
2018	1.50%	60,000	3.00%	84,000
2019	1.50%	60,000	3.00%	86,000
2020	2.00%	65,000	3.00%	89,000
2021	2.00%	65,000	3.00%	92,000
2022	2.25%	65,000	3.00%	95,000
2023	2.25%	65,000	3.00%	98,000
2024			3.00%	101,000
2025			3.00%	105,000
2026			3.00%	108,000
2027			3.00%	111,000
2028			3.00%	115,000
2029			3.00%	119,000
2030			3.00%	123,000
2031			3.00%	127,000
2032			3.00%	131,000
		<u>\$ 900,000</u>		<u>1,743,000</u>

See accompanying independent auditor's report.

Schedule 3

City of Montezuma, Iowa

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Fund

June 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ (44,452)	68,500	10,728	13,320
Liabilities				
Accounts payable	\$ (44,452)	68,500	10,728	13,320

See accompanying independent auditor's report.

City of Montezuma, Iowa
Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds
For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts:										
Property tax	\$ 637,941	607,700	572,150	577,547	543,152	556,514	538,865	508,001	480,742	476,022
Tax increment financing collections	-	-	-	-	6,779	47,711	48,184	47,695	45,124	43,733
Other taxes	162,974	140,143	132,326	150,447	130,827	130,600	128,568	166,417	-	-
Licenses & permits	2,384	2,013	1,994	4,325	2,913	2,485	2,725	2,830	-	-
Use of money and property	3,974	5,028	7,422	6,748	17,806	10,519	28,516	82,230	75,417	41,662
Intergovernmental	225,438	180,249	159,930	163,456	145,670	194,512	245,238	353,343	121,433	122,541
Charges for service	100,190	104,159	119,828	89,422	80,913	88,211	97,647	81,596	82,222	89,033
Miscellaneous	314,381	187,266	197,276	167,951	142,295	146,363	180,486	153,127	97,860	103,531
Total	<u>\$ 1,447,282</u>	<u>1,226,558</u>	<u>1,190,926</u>	<u>1,159,896</u>	<u>1,070,355</u>	<u>1,176,915</u>	<u>1,270,229</u>	<u>1,395,239</u>	<u>902,798</u>	<u>876,522</u>
Disbursements:										
Operating:										
Public safety	\$ 313,641	436,460	196,727	281,151	178,712	183,285	286,586	325,039	164,930	260,458
Public works	274,369	248,618	352,875	355,719	326,212	224,066	270,817	259,360	241,578	193,131
Health and social services	0	-	-	-	-	-	-	-	2,750	-
Culture and recreation	131,648	127,869	127,053	134,210	143,730	186,233	117,837	114,126	108,146	126,386
Community & economic development	72,924	53,821	-	-	-	-	-	151,878	-	-
General government	150,169	152,067	219,590	194,967	141,931	114,141	106,235	109,311	104,242	103,364
Debt service	270,965	857,907	233,229	204,876	251,373	282,731	285,994	334,911	165,895	169,962
Capital projects	126,592	268,145	545,352	-	-	-	358,000	1,405,527	-	-
Total	<u>\$ 1,340,308</u>	<u>2,144,887</u>	<u>1,674,826</u>	<u>1,170,923</u>	<u>1,041,958</u>	<u>990,456</u>	<u>1,425,469</u>	<u>2,700,152</u>	<u>787,541</u>	<u>853,301</u>

See accompanying independent auditor's report.

City of Montezuma
Montezuma, Iowa



705 Main Street
Pella, IA 50219
Ph.: 641-628-3737
Fax: 641-628-3757

www.vanmaanencpa.com

Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed In Accordance with
Government Auditing Standards**

To the Honorable Mayor and Members of the City Council
City of Montezuma
Montezuma, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Montezuma as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 30, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Montezuma's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Montezuma's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Montezuma's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Montezuma's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Montezuma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Montezuma's Responses to Findings

The City of Montezuma's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Montezuma's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Montezuma during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

September 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Response - We will consider this.

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the budget in the public safety, community and economic development, and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- (2) Questionable Disbursements - No disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- (3) Travel Expense - No disbursements of City of Montezuma money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions

Business transactions between the City and City officials, employees or associates for the year ended June 30, 2015 are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Hicks, Mayor, Owner Owner of Jim's Heating & Air Conditioning	Heating System & Repairs	\$322
Doug Vermeer, Trustee of Montezuma Light & Power Owner of Vannoy Chevrolet	New vehicle Vehicle repairs & maintenance	\$29,895 1,832
Christy McCaslen, Employee City Clerk	Memorial Hall stove	\$175

Charlie Sheets, Trustee of Montezuma		
Light & Power	Excavating work	\$8,510
Owner of Sheets Excavating	Street repairs	

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Trustees may represent conflicts of interest since total transactions with some of these individuals were more than \$1,500 during the fiscal year.

Recommendation – The City may want to seek legal advise regarding transactions with the trustees.

Response – We will consider this.

Conclusion – Response accepted.

- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- (6) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds and Notes - The City of Montezuma has established proper accounts as required by the City revenue note resolution.